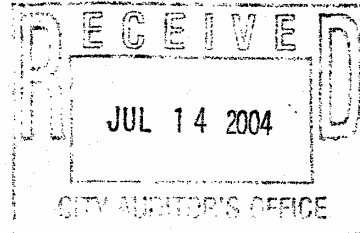




Office of the City Manager

Date: July 14, 2004
To: Mark Funkhouser
From: Wayne A. Cauthen, City Manager
Subject: Consolidated Housing Plan Audit



The City Manager recognizes the City Auditor believes improvements can be made in the Consolidated Housing Plan by establishing appropriate housing policies and developing an adequate housing plan. The City Manager's Office is in substantial agreement with most of the audit recommendations with the exception of one area that will be explained in the body of the response. It is important to note the Consolidated Housing Plan is a dynamic document, which was approved by the City Council and HUD, and must be approved by both in the future. The City Manager's Office is making significant changes in the approach the City will take in the future regarding housing policy in Kansas City. Much of this work is either already completed or is in the planning stages, although a few of the items will take some time to complete because of a lack of specialized skills within the City's structure. Our responses to the specific recommendations are as follows:

- **Identify and address housing needs using the housing conditions study performed by the University of Missouri – Kansas City, or a similar effort.**

Agree:

The City Manager's Office has formed a Citizen's Task Force to develop a specific housing plan for Kansas City, Missouri. The draft plan will be submitted to the City Manager in September of this year.

- **Establish measurable goals and objectives.**

Agree:

This will be done in context of the specific plan submitted and approved by the Manager and City Council for next year.

- **Base funding decisions on specific, pre-identified needs.**

Agree:

As part of the previously mention Task Force, this is a planned outcome.

- **Incorporate specific scopes of work, goals and measurements in all contracts.**

Agree:

Future contracts with sub-recipients will include measurable outcomes. This is being done in conjunction with efforts of Councilwoman Deb Hermann and the Neighborhood Development and Housing Committee.

- **Develop monitoring procedures that ensure all entities receiving funding are held accountable for meeting specific objectives.**

Agree:

These are being developed by OMB at this time.

- **Identify and “in-source” all functions that City staff can efficiently perform.**

Agree:

It is our desire to move as much of the entire process as possible into City Hall. Some tasks that require specialized skill sets (such as single family underwriting) will take time to acquire.

- **Competitively award all services not performed in-house.**

Substantially agree:

OMB is currently reviewing these possibilities also.

- **The City Manager should require HEDFC to repay the \$900,000 in Beacon Hill program income it used without authorization and to repay the \$600,000 balance of the Westside Business Park Section 108 loan.**

Substantially agree with the following reservation:

OMB has already requested the balance of the 108-loan repayment. City staff, including the legal department is reviewing the Beacon Hill issue and a decision will be forthcoming after further review.

Finding 1: The City's System for administering Housing Funds is Fragmented and Too Complex.

Agree:

In a letter to the Mayor and City Council dated June 30, 2004, and in a public hearing of the same date, the City Manager's Office outlined specific steps to reconstruct the housing systems for Kansas City, Missouri. These included hiring a new Housing Services Manager, eliminating the current department structure, reducing overhead, and overlap of service delivery. Additionally, we are reviewing bringing many of the currently dispersed services "in-house" so that City employees can manage them.

Finding 2: The City Has Not Clearly Defined HEDFC's Role in Implementing Housing Policy.

Agree:

The City is currently preparing a contract with HEDFC for a conditional period of 6 months. The terms and conditions of the conditional contract will include exact task orders and expected outcomes. It is the intention of the city to limit HEDFC's role to that of a finance agency. Development opportunities and final decisions regarding those opportunities will be directed by the City Manager. In order to continue processing loans for the city, HEDFC will need to meet industry standards as outlined in the audit. It is also the intent of the city to request RFP's for the servicing of loans. If HEDFC is unable to meet standards of performance established by the city, the city will pursue other options.

Finding 3: HEDFC's Operational Deficiencies Contribute to Poor System Performance.

Substantially agree with reservation:

As stated in Finding 2, the City plans to more clearly define HEDFC's expected outcomes. Internal system changes at the agency to meet these expectations are a matter for HEDFC's Board and Management to develop. The City Manager's Office has no way, at this time, to verify or support the contentions in the audit related to HEDFC's performance.